



A Study on Export Potential of Cotton from India to USA

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RESEARCH ABSTRACT:

Export of textiles used to occupy commanding heights in Indian economy. Cotton is an important fiber crop of India which plays a dominant role in the country's economy by meeting the domestic and export demands and supporting the livelihoods of millions of poor households. India contributes as much as 8 per cent to total merchandise exports and more than 2 percent to total GDP. It contributes significantly to both agriculture and industry in terms of farm income, employment and export earnings. India, despite being the second largest producer of cotton in the world, the present level of exports is not consistent and exhibits high variations in volume and revenue earnings. Cotton the most important commercial crop of India, often referred as the White Gold consumes more than 45% of the total pesticides used in our country. Exports of cotton have been restricted by quotas, and the mill industry has been subject to such regulations as the obligation to supply hank yarn for Indian handlooms. These interventions have led to stagnating cotton yields, rent-seeking activities, manipulation of cotton statistics, and low profitability in cotton mills offsetting the short-run benefits of inexpensive cotton in India. If the data of last ten years are seen, lot of fluctuations can be observed, though export of textile used to make a formidable presence in Indian economy. In this context, this paper analyzes the trend of export from 2001 onwards. This paper will help to know the changing patterns of India's textiles exports.

INTRODUCTION

Cotton holds a position of pride in the production of various textile fiber fabrics. Over 70% of the global output of textile is composing of cotton varieties. Cotton dominates India's spinning segments and accounts for more than 60% of the value of yarn production. The history of cotton is as old as the history of India. From time immemorial India was the only country known for its cotton fabrics, the rest of the world being clad in wood. Cotton in India is the "king of crops" and is also the "white gold" of India. More than a thousand years later, the great Greek historian Herodotus testified that Indians processed "a king of a plant which instead of fruit, produces wool of a finer and better quality than that of sheep, of this the Indian make their clothes".

USA is the world's single biggest market for import of cotton from India. USA is the second largest importer of Indian cotton yarn. India has Negotiated with the US and promised to increase its cotton exports in the coming years. India is the 3rd largest producer of cotton in the world with production of around 20 million MT (approximately 11% of

the world production). It plays a vital role in the country's economy providing substantial employment and making significant contributions to export earnings. Its contribution to the Indian economy is manifested in terms of its contribution to the industrial production, employment generation and foreign exchange earnings. India is among the world's top producer of yarns and fabrics, and the export quality of its products is ever increasing. The Multi Fiber Arrangement (MFA) governed the world trade in textiles and garments from 1974 through 2004, imposing quotas on the amount developing countries could export to developed countries. It expired on 1 January 2005. At the General Agreement on Tariffs and Trade (GATT) Uruguay Round, it was decided to bring the textile trade under the jurisdiction of the World Trade Organization. The Agreement on Textiles and Clothing provided for the gradual dismantling of the quotas that existed under the MFA. This process was completed on 1 January 2005. However, large tariffs remain in place on many textile products.

History of Cotton in India

The history of cotton can be traced back to domestication, possibly as far back as 4500 BCE and cotton is very complex and is not known exactly. Several isolated civilizations independently domesticated and converted cotton into fabric. Indian Cotton Industry was the precise industry which fostered a humble beginning, attracting budding Indian industrialists. In 1854 towards making that dream into a reality, James Landon established the Broach Cotton Mill, the first successful cotton mill in Bombay. The first steam-driven cotton mill also went into production in 1856. 79 cotton mills were in operation by 1883, as Bombay took the industrial lead. Establishment of cotton industry was thus an initiation of a new history. The first mechanized jute mill began operations in Bengal in 1855. Government of India in October 1861 issued a waste lands order for the purpose of encouraging the growth of cotton.

Hugh Mason, Chairman of the Board of the Manchester Cotton Company in 1862, sought the impeachment of Sir Charles Wood (1800-1885), Secretary of State for India. Mason felt the Government of India was holding to a do-nothing policy regarding the provision of greater supplies of raw cotton to Manchester's manufacturers. The Lancashire Cotton Industry had emerged sufficient pressure on the Secretary of State for India to have the Government of India place a 5% tariff on Indian cotton manufactures in order to allow British cotton goods to be more marketable in India. 64 jute mills existed in Bengal, with 36,000 looms employing a total of 225,000 workers in 1913.



At the start of the 2009/10 crop year, the world's focus is on India—as the world's second-largest cotton producer, consumer, and exporter, India commands special attention. Cotton and the cotton textile industry have played a fundamental role in Indian culture and trade throughout India's history—cultivation, spinning, weaving, and dyeing of cotton in India date back at least 5,000 years. India's cotton industry was finally stimulated towards mechanization, and it could compete on the world market once more. There is a still great diversity in the traditions and methods used to produce cotton.

The first people in Eurasia to grow cotton for clothing and towels and sheets were the Harappa people in India, about 2500 BC. It is well known because people wrote about cotton in the Rig Veda, and that was written about 600 BC in India. Egyptian farmers also grew a little bit of cotton, but cotton never became very important in Egypt, where people mostly wore linen clothing.

Government Initiatives

Government has restored DEPB benefits on cotton from October 1, 2010 and cotton yarn from Cotton exports have been placed on Open General License (OGL) category without any export cap with effect from August 2, 2011. April 1, 2011 to incentivize cotton and yarn exports addressing the slowdown in the industry. The draft National Fibre Policy prepared with a decadal perspective projects for an increase in cotton production in the country from 325 lakh bales in 2010-11 cotton season to 433 lakh bales in 2016-17 with a surplus of 58 lakh bales.

The Technology Mission on Cotton was implemented in the 9th, 10th and 11th Five Year Plan with the vision to increase cotton production by about 50 percent from an area of 90 lac hectares by producing globally competitive clean high quality cotton for domestic consumption and value added export. During the period of implementation of the Technology Mission on Cotton, cotton production increased from 95.24 lac bales in 2000-01 to 325 lac bales in 2010-11 and area under cultivation in 2011-12 is expected to reach 120 lac hectares with India's cotton exports increasing from 0.84 lac bales in 2000-01 to 80 lac bales in 2010-11. Mini Mission- I on development of short duration, disease and pest resistant varieties, improved water and nutrient practices and development of integrated pest management technology is implemented through a number of premier Institutions in the country like Central Institute for cotton Research (CIRCOT), Mumbai, Central Institute for cotton Research (CICR), Nagpur and a number of Agricultural Universities.

LITERATURE REVIEW

Singh (2007) described Indian textile industry has been growing really well and Indian textile industry stand in the world market is stronger than ever with the quantitative restriction on China. He said that India is in better position. Many Indian companies have thought western brands which have made penetration in the EU and the USA fairly easy,

further strengthening Indian exports, but we are facing stiff competition from countries like Indonesia and Bangladesh.

Ahluwalia said that Apparel export contributes around 8% to India's overall exports and 48% to textile exports. It exports to many countries but due to global recession, sales are falling and thus, companies are cutting down on employees.

Mukhopadhyay (2004) contended that in today's world which is packed with competition, every company has to exhibit certain competitive advantage to outperform its competitor. This can be in terms of cost cutting which is displayed by Indian textile industry. Indian textile industry can reduce its cost of non conformance and strengthen its competitive position by focusing on customer orientation.

Nordas argued that the clothing industry is labor intensive and it offers entry-level for unskilled labor in developed as well as developing countries. As even the developed the countries need this industry to be successful as it provides jobs to many and finding an alternative job may be a difficult task, also this is a low waste industry and a dynamic and innovative sector, depending on which market segment one focuses open.

RATIONALE OF THE STUDY

As the study is about export prospects of textile from India to, there seems to be a gap in knowledge in terms of nature of relationship between some critical important variables. The prosperity of such variables need to be explored in order to identify the export prospects of textile and to highlight the approach of USA towards our country's export of textile. This study will help the exporters to identify the growth of textile (cotton) market and its trade between India and USA to know the future projections of the textile trade. It is also helpful for the economist to know the demand and scope of cotton yarn to USA from India. It would help in knowing the future growth of this market and evaluating its contribution to GDP of the country.

OBJECTIVES OF THE STUDY

- To study and analyze the past 10 years(2000-2010) statistical data of Indian cotton exports to USA.
- To find the trend of export data of export of cotton for five years (2011-2015).

RESEARCH METHODOLOGY

THE STUDY:-

The present study is analytical in nature and is based on secondary statistical data to know about the potential of export of cotton from India.

THE TOOLS:-

Tools for data collection:

The source for data collection was official websites of export-import bank of India, texmin.nic



.in ,Wikipedia.com, research papers, journals, where the data were compiled for the period of 10 years from 2000-2010.

Tools for data analysis:

The data were analyzed with the help of trend analysis method.

The formula used was:

$$Y = a + b(x)$$

Where,

a=constant

b=variable

X=number of year

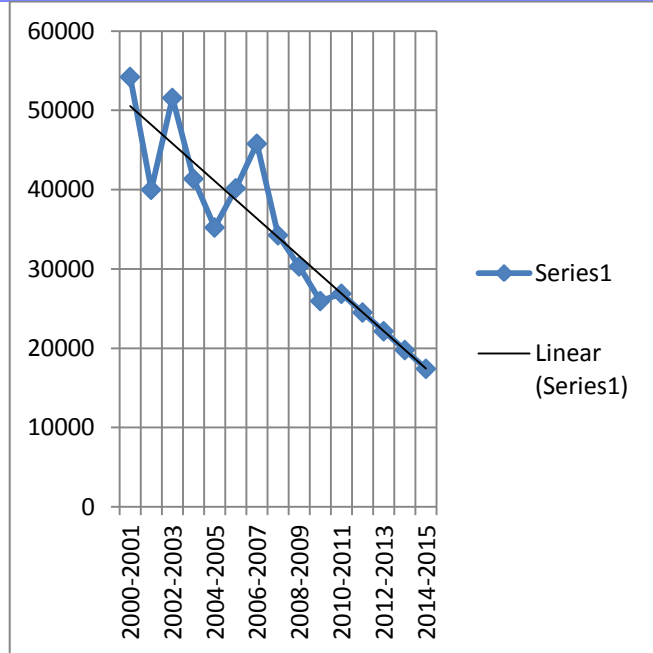
Y=result

Where, the year was taken as independent variable.

TREND ANALYSIS

Table -1.1 Showing the Total Export of Cotton Yarn to USA (in rupees) and its future trend.

Year	Values	Growth/De cline %	Trend
2000-2001	54,217.07		50,535.86
2001-2002	39,992.06	-26.24	48,170.30
2002-2003	51,570.98	28.95	45,804.74
2003-2004	41,374.99	-19.77	43,439.18
2004-2005	35,235.75	-14.84	41,073.62
2005-2006	40,177.30	14.02	38,708.06
2006-2007	45,794.02	13.98	36,342.51
2007-2008	34,254.30	-25.20	33,976.95
2008-2009	30,331.02	-11.45	31,611.39
2009-2010	25,960.95	-14.41	29,245.83
2010-2011			26,880.27
2011-2012			24,514.72
2012-2013			22,149.16
2013-2014			19,783.60
2014-2015			17,418.04
	398,908.44		



Graph 1.1 Showing the trend of export of Cotton from India to USA

RESULT

In table 1.1 the year- wise exports in value (rupees) have been depicted. During 2000-01 India exported cotton of value 54217.07(rupees). In 2001-2002 India's export of cotton decreased in value by 14225.01. But in 2002-2003 a spurt was observed in India's export of cotton to U.S.A. in value by 34834.08 or by 28% because of increased production and rise in demand for cotton in the international market particularly in U.S. While in 2003-2004 India export of cotton again declined in value to 10195.99. In 2004-2005 also India's export of cotton continued to decrease in value which remained 6139.24 but in 2005-2006 India's export was found to go up in value to 4941.55. And again the increasing trend was observed in respective year (during 2006- 2007), i.e. India's export of cotton increased in value to 5616.72 though it fell deadily before but *during two financial years* i.e during 2002-2003 and 2005-2006 it picked up and a significant growth in the export of cotton was observed. But again it could not keep it and during 2007-2008 India's export of cotton registered a negative growth, decreased in value to 11539.72 or -25%. In 2008-2009 India's export of cotton remained stable showing declining trend, in value 3923.28. In respective period 2009-2010 again India's export of cotton showed declining trend,i.e.steady condition prevailed, decreased in value to 4370.07.

FUTURE TREND

The table 1.1 shows the future trend of export of cotton from India to USA for the period of 2011-15, which is a linear trend. The trend clearly indicated that from 2011 the export of cotton has continuously went on decreasing. In 2010-11 India's export of cotton was estimated in value to 26880.27 (rupees). In 2011-12 again India's exports of cotton decreased in value 2365.55. Further also during 2012-13 India's exports of cotton will register negative growth in value 2365.56. In 2013-14 India export of cotton will be



decreased in value to 2365.56. Again it is predicted to show similar declining trend during 2014-15 also, in value 2365.56.

DISCUSSION

As it is seen in the table, during 2001-02 there was a decline in the exports of cotton by -26.14%, while in 2002-03 there was a skyrocket observed in export of cotton by 28.95% which was remarkable, but in 2003-04 it again went down by -19.77% and during 2004-05 it continued to decrease but with a little improvement i.e. by -14.84% respectively. In 2005-06 and 2006-07 there was further a jump was observed in cotton export by 14.02% and 13.98% respectively. But it could not keep it rising and again fell very pathetically during 2007-08 i.e. by -25.20%, and continued to show declining trend but with little improvements during 2008-2009 by -11%, i.e. it picked up from previous period, while during 2009-10 it showed more negative growth i.e. (-14.41) respectively.

The trend has shown fluctuations in the export of cotton yarn to USA in the past years as shown in the table and graph. During 2001 round the year supply, i.e. large volumes of cotton production, lower prices and reduction in trade barriers as a result of WTO negotiations had boosted the export of cotton. Further it has been observed in the graph that the trend value of the commodity is continuously decreasing in the respective years but there is a need to take necessary measures like surplus production, decreasing basic price, uplifting the quality, keeping a check on domestic consumption, adaptation of counter trade practice etc. The probable explanations that can be given for lower exports to U.S.A. experienced during 2008 could be due to U.S. government support to their farmers, and U.S. farm programs operated as designed and supported farmers to react to market signals and thus U.S. share of import from India declined, in 2009-10 again the yield of cotton had dipped so exports too dipped. In coming years again (2013-15) there will be a continuous decrease in the value of cotton which will affect worst the India's export. This continuous decline in export of cotton yarn to U.S.A. which has been depicted in the given table 1.1. will affect India's brand image world over. Also the decreasing value has affected the net inflow considerably to have an adverse balance of payment throughout the period of 2001 to 2010.

The above analysis states that the cotton yarn exports to US are tremendously fluctuating. The following are the reasons for the declining of export of cotton :-

- India use poor technology that cannot compete with high tech international companies for export of cotton yarn.
- Indian exporters should reduce the basic price of the commodity so as to gain a competitive advantage over other countries.
- Quality measures should be taken with great care.
- It has limited production capacities because the investment level in this particular sector is not up to the mark.
- Low yields of cotton due to poor farming operations or techniques. And its uses old techniques as compared to the modern mechanism..

There should be proper market segmentation targeting and positioning.

CONCLUSION

Although India occupied 3rd position and it was one of the mainstays of the national economy, but it holds competition with china which holds number 1 position in cotton production. The Indian textile industry has a significant presence in the Indian economy as well as in the international textile economy. In the world textile scenario it is 2nd largest producer of silk and third largest producer of cotton. The Indian textile industry is currently one of the largest and most important sector in the economy in terms of output foreign exchange earnings and employment in India. India's presence in global textile industry may grow swiftly which gives clear indication that in coming years Indian textile industry will reach US \$ 100 Billion by 2015. However, with the Indian government policies it can once again register the growth in future.

SUGGESTIONS

- The cotton policy for export should be cohesive and revived every year.
- Exporters should give more emphasis on upgrading the quality as per the international standards.
- To enhance manufacturing capacity in this sector the training and education should be provided to labours.
- Monsoon failure is a major cause to affect the cotton production and its prices, so farmers should be given full support by the Indian government.
- The India should boost its R&D for this sector.
- The demand for cotton should be explored in the countries where it is likely to be very high.
- India should maintain a competitive edge by focusing upon the quality of goods, pricing and by meeting the deadlines for timely export of goods.
- Cotton industry should adopt the standards of ISO9000-14000, so they become easily acceptable in the international market.
- The laws regarding the textile industry and its export should be improved.
- To develop global acceptability of Indian cotton, trade facilitation centers for Indian image branding should be setup.
- Govt. should be more flexible for development schemes like loan schemes, storage facility including rebates like custom duty, excise, tax incentives, subsidies etc.
- To deal with competition would be a major force to contribute as during clearing, winding, the yarn for warping, weaving or knitting, it gets deteriorated may be in strength, elongation, hairiness and have substantial influence on the final properties of yarn, so such textile technologist should be trained well.
- To attract FDI in textiles and machinery some policy should be devised as it can be important drive of India's growth. It is bear fact that export lead growth of economies have proved to be robust, though there are many schools of thoughts that state that export lead growth brings unnecessary evils into the economics system of a country.



IMPLICATIONS OF THE STUDY FOR EXPORTERS FROM INDIA

The study would help the exporters in identifying the potential of exports in US market, to know about the global competitors, new improvements in these components etc. It would help them in knowing the reasons behind the decline of exports of these components in US markets. It becomes easier for the exporter to identify the new markets for their respective variety of product and to prepare for the supply as future export trends are predicted. At last, it will also help them in understanding the current scenario of this industry.

FOR RESEARCHERS

The study being exploratory in nature highlights some area where researchers can carry on further study to understand the working of components industry. Further research can be undertaken to identify the factors that play a significant role in affecting the demand and supply for various components in the international market. Research can also be undertaken to determine if the problems in these components sales are due to poor international marketing strategies, low quality, inadequate packaging, and infrastructure problems.

INDIAN COMPANIES

By the result of the report, companies feel the need of improving the production line with the help of required modernization. Company, after going through report, would know, to what extent R&D is required, which type of marketing, distribution, and pricing strategies to use as per the demand. The Indian companies can easily decide that how much investment should be made for the export. By this research, the Indian cotton yarn companies easily know the growing product, growing area of export, where should the company should increase the export amount.

FOR GOVERNMENT

The study will also be beneficial for governmental bodies like automotive components manufacturers association

(ACMA), Indian components industries etc. It would also help them in identifying the reasons behind decline in certain markets and to know the current situation of this industry. On the basis of this report these governments organizations will be able to formulate the strategy which when implemented will help in boosting the export of these components.

FOR STUDENTS OF FOREIGN TRADE

The student of foreign trade, who are interested in exploring about industry, export of cotton from India to USA, can know the current scenario of these components trade, global competition and potential. The study would act as a guide for them in further study. Particularly the students who are interested to know about the export of cotton yarn, this research paper will be very helpful to them.

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